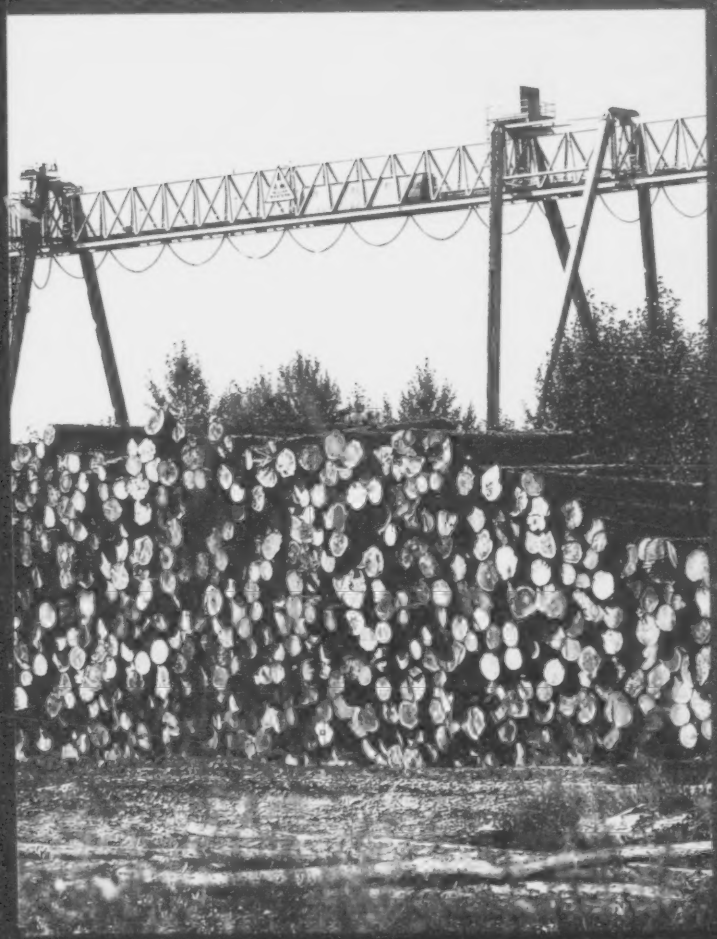
2004 ANNUAL REPORT

LAPP

Local Authorities
PENSION PLAN

securing your future, together®

Like Alberta, with its varied, interesting landscape and people, LAPP gains strength from diversity. LAPP is able to provide a strong secure pension for members from large employers in urban centers, to members in small towns, villages and municipalities. This report features a selection of communities and members from across Alberta.



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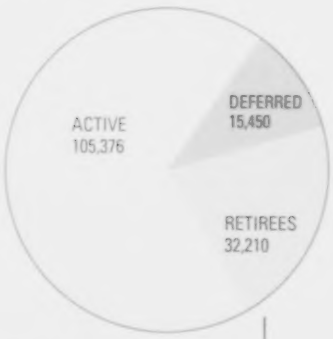
MEMBERSHIP, DECEMBER 31, 2004

Total 153,036



RETIREES

2000	2001	2002	2003	2004
27,124	28,318	29,599	30,869	32,210

Membership increased in 2004 by 5,191. Retirees currently make up 21.0% of membership. This proportion is expected to rise as baby boomers begin to retire.

PLAN PROFILE

LAPP was established in 1962 as a defined benefit pension plan for employees of Local Authorities in Alberta. These include health authorities, cities, towns, villages, municipal districts, colleges, school boards and many other public sector organizations.

The Alberta Minister of Finance is currently the legal trustee of the plan, which is governed by a 14-member Board of Trustees. The Board includes six employee nominees, six employer nominees and one nominee each from retirees and government. LAPP serves 105,376 active members, 15,450 deferred members, 32,210 retirees and 404 employers. The Plan is financed by employee and employer contributions and investment earnings of the LAPP Fund.

The Fund has a diversified investment portfolio consisting of bonds and mortgages, treasury bills, domestic and foreign stocks, and real estate.

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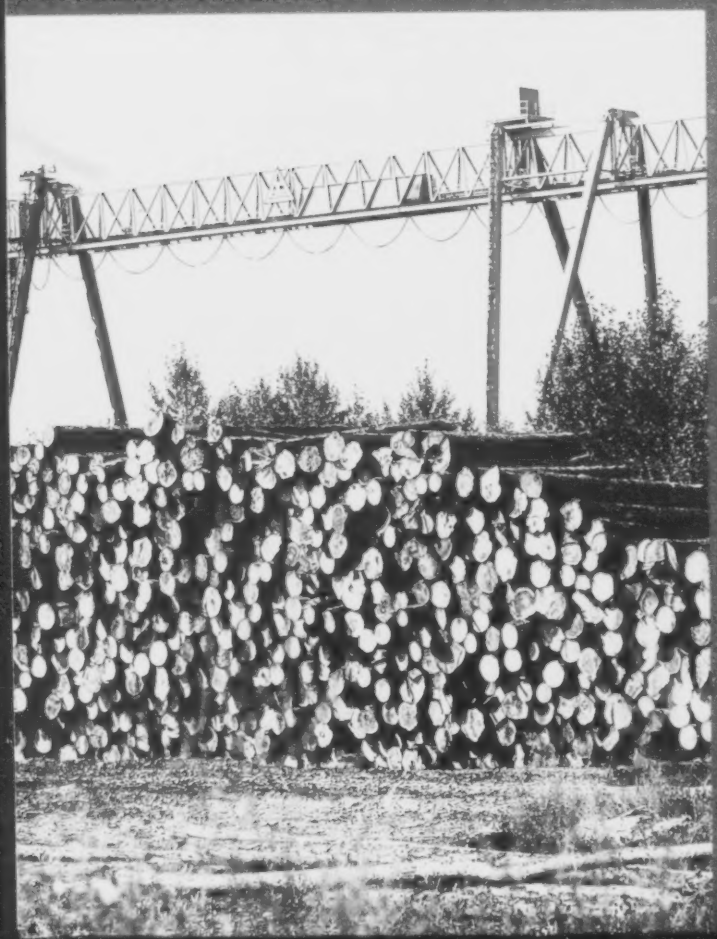

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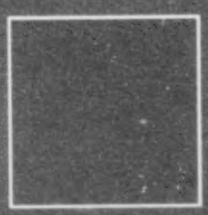

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HIGHLIGHTS

Net assets available for benefits, increased by 12.1% to $10.827 billion in 2004.

Accrued benefits (liabilities) increased by 9.1% to $12.116 billion.

The plan's deficit of 1.289 billion is an improvement over the deficit of a year ago. However, in 2004, long-term interest rates continued to fall from their already low level. This may require LAPP to lower its discount rate again in future. In 2004 this rate was 6.7%. A decline of 10 basis points (1/10 of 1%) translates into an increase in actuarial deficiency of approximately $190 million.

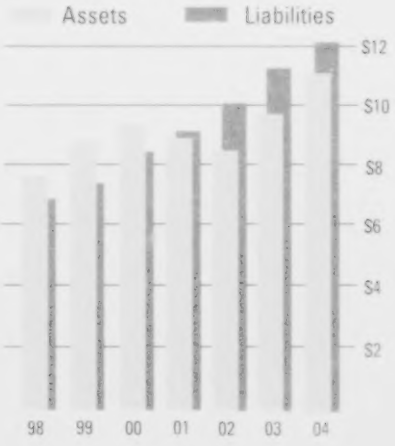
The combination of low interest rates and modest market returns means that funding our deficit will take time, patience and a determination to stick with steady and prudent investment policy.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS

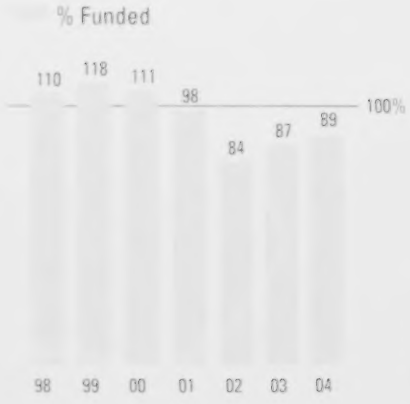
As at December 31, 2004
($ thousands)

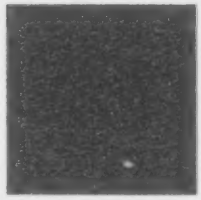
	2004	2003
Net Assets Available for Benefits		
Net assets available for benefits	$ 10,827,476	$ 9,655,313
Accrued Benefits		
Actuarial value of accrued benefits	$ 12,116,400	$ 11,108,800
Actuarial deficiency	$ (1,288,924)	$ (1,453,487)

ACTUARIAL FINANCIAL STATUS ($ BILLIONS)



ACTUARIAL FUNDING STATUS





HIGHLIGHTS

PENSION CONTRIBUTIONS AND TRANSFERS ($ MILLIONS)

TOTAL $602.4

- Employers $316.9
- Transfers $5.9
- Members $279.6

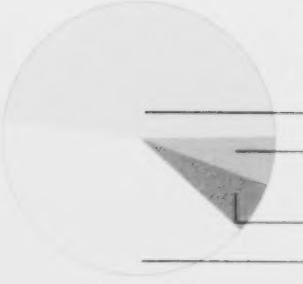
PENSION PAYMENTS ($ MILLIONS)

TOTAL $447.6

- Refunds to Members $52.7
- Administration $17.1
- Transfers $4.6
- Benefits $373.2

PLAN EXPENSES ($ MILLIONS)

TOTAL $33.4



Administration and Governance Costs – $101 per member

- Alberta Pensions Administration (APA) Corporation costs to administer the plan – $13,115,000 or $87 per member
- Governance expenses for overseeing the plan – $2,140,000 or $14 per member

Investment Costs – $121 per member (netted out prior to calculation of investment returns)

- Alberta Investment Management of Alberta Finance costs to manage the plan's funds – $1,857,000 or $12 per member
- Pooled funds management and custodial fees – $16,322,000 or $109 per member

LAPP's large size allows for cost-effective administration and investment management. Plan expenses consisting of administration and governance costs ($15,255,000) and investment costs ($18,179,000) totalled $33,434,000 in 2004 or $222 per member.

With plan assets over $10.8 billion, this equates to a total cost of 0.31% of assets under administration (0.14% for administration and 0.17% for investment management services).

MESSAGE FROM THE CHAIR

On behalf of the Local Authorities Pension Plan (LAPP) Board of Trustees, I am pleased to present the 2004 Annual Report. I will mention some of our accomplishments in 2004, and look to the future of the plan.

A Good Pension Plan Requires Many Stewards

The role of the LAPP Board, governing the pension plan, is like that of an orchestra leader. A good pension plan requires the coordinated efforts of many special skills and interests, in an efficient seamless organization, to deliver the pension promise.

In the case of LAPP, the federal and provincial governments set basic pension rules. The Minister of Finance is the official trustee, employers supply information and pay more than half the contributions, with participants paying the balance, contributions are collected and pensions calculated and paid by Alberta Pensions Administration (APA) Corporation, and pension fund investments are managed by Alberta Investment Management.

Your LAPP Board, supported by a small administration and with expert advice from actuaries, accountants and special advisors, coordinates these many parties and activities. It strives to assure that everyone pursues "best practices" and strives for economy, and to provide timely advice to the Minister.

Good organizational performance begins with good governance. Accordingly, in 2004 the Board made improving the governance of LAPP a high priority. Specifically, our focus was better defining roles and responsibilities.

Respecting its own operations, the Board clarified the roles of the Chair, Vice-Chair and Chief Executive Officer and restructured our committees for increased decision-making effectiveness. Following new approaches to good governance, the Audit Committee completed its first annual performance self-assessment. The Board also commenced a revised planning process which will drive our business plans in future years.

The Board continued to request improved clarification of the roles and responsibilities of the government agencies involved in the delivery of LAPP's pension promise.

In 2004, it formed a Stakeholder Consultation Group, composed of representatives of LAPP employers and unions. This group met twice in 2004. The Board will continue to organize and support this valuable initiative. The Stakeholder Consultation Group is an important means of enabling your LAPP Board to receive input from those who pay the contributions and those who will be the pensioners of the future. In 2005 we will improve the information flow to and from our stakeholders and others.

Financial Status

In previous years, as is the practice with many other Canadian pension plans, our asset value was reported at both fair value and a smoothed value. The reason was that pension plans are very long-term investors. However, we report to our stakeholders quarterly and annually, and our financial status can vary considerably even in those short intervals. For pension plan accounting purposes, smoothing is an accepted and widely-used method of evening out short-term changes in market values, to give a more stable picture of the plan's financial situation. However, reporting of smoothed values can cause readers of the financial statements to misunderstand the actual financial position of the plan. Therefore the Board of Trustees has decided not to continue reporting a smoothed value of assets.

In 2004, the financial markets provided a second consecutive year of positive returns, after several years in which equity markets lost value worldwide. However, interest rates, which were already at near-record lows at the beginning of the year, fell slightly further over the year. This, and unanticipated demographic changes, caused our liabilities (the cost of our promise to pay future pensions) to increase more than expected. As a result, LAPP enjoyed only a small improvement in its financial position in 2004.

While we are confident in the long-term growth of our investments, we also monitor and adjust contribution rates as necessary to ensure that there will be sufficient capital to invest to fulfill the plan's commitments. Contribution rates also must be set so that members who will receive a pension in the future are paying a reasonable amount today. For those reasons, it was necessary for LAPP, and most other similar plans, to impose contribution rate increases.

The increases at the beginning of 2004, and again at the beginning of 2005, have begun to help improve LAPP's financial position, and will continue to help it overcome the deficit in future years.

An experience study performed for LAPP in 2004 indicates that our actual rates of termination and retirement, especially early retirement, have differed from our assumptions, and that LAPP may continue to experience losses as a result. For these reasons and in order to continue to reduce the present deficit and to bring the plan back to fully funded status in a reasonable time, it is possible that a higher contribution rate may be needed in the future.

The fluctuations in the financial markets over the past several years reinforce the lesson that pension plans such as LAPP are long-term investors. The contribution dollars of a new member joining the plan today will be retained by the plan and invested and reinvested for many years before being paid out as part of a pension. Over that course of time, LAPP can expect to see several short-term shifts in the financial markets. However history teaches that, in the long run, money appropriately invested grows in value.

New Uncertainties

In recent months the Alberta Society for Pension Reform has launched a class action lawsuit with the Government of Alberta and employers as defendants. Although not named specifically as a defendant, LAPP is indirectly affected. Your Board obtained professional legal and actuarial advice and believes it has carefully considered at least some of the issues raised in the Statement of Claim. It believes the LAPP has correctly observed all federal and provincial laws and regulations, including the plan rules.

An Alberta Court of Appeal decision (the Bigsby case) has injected more uncertainty into decision-making around your pension plan. Your Board expects the office of the Attorney General to address these legal issues. Whatever the outcome of these actions, every such uncertainty distracts from normal pension administration by taking up resources, including many hours of legal, actuarial, administration and Board time. These are supplied at a cost - a cost inevitably paid by LAPP contributors and taxpayers.

Board of Trustees Membership

At the beginning of 2004 your LAPP Board welcomed four new board members. They participated in two days of orientation and development and attended seminars to hone their skills. In pursuit of its goal of governance, your Board encourages all members to sustain and improve their understanding of pensions. I commend the Board members for their dedication and diligence.

LES YOUNG
CHAIR

As 2005 begins long-serving member Richard West is leaving the Board. Richard served on the Board continuously since 1993, including two terms as Board Chair. We wish him well in his future endeavors, and thank him for his work on behalf of LAPP.

Conclusion

Although LAPP is amortizing its deficit over a number of years, the plan remains strong. Governance is being strengthened and risks better identified. Your Board is executing plans to improve its effectiveness, better engage our stakeholders, and assure that the plan will be administered even more reliably and cost-effectively.

I wish to thank all Board members, LAPP staff, the Minister of Finance, Alberta Pensions Administration (APA) Corporation, and Alberta Investment Management of the Alberta Department of Finance for their continued hard work for LAPP. The Board of Trustees looks forward to continuing to serve all plan employers and members.

Leslie G. Young
Board Chair 2004
Local Authorities Pension Plan Board of Trustees

LAPP

Local Authorities
PENSION PLAN
Board of Trustees securing your future, together

LES YOUNG
CHAIR

CARL SODERSTROM
VICE-CHAIR

BOB BARSS

ALEX FOWLIE

GRANT HOWELL

MARGARET JOHNSON

TONY KRIVOBLOCKI

RICHARD MARTIN

BRUCE MCLEOD

ELAINE NOEL-BENTLEY

For further information about your LAPP Board of Trustees, please see the back cover of this Annual Report or visit our website at www.lapp.ab.ca.

HELEN RICE

JOHN VANDERKAAY

RICHARD WEST

105-04998/

Visit Julian deCocq, Chief Administrative Officer of the Town of Cochrane, at his office in Town Hall and it's easy to see why Cochrane is often described as one of the most picturesque places in Alberta. From Town Hall, you can see the entire town spread out below in the Bow River Valley. Add the spectacular view of the Rocky Mountains just to the west and the "western" theme of Cochrane's re-developed downtown, and it's no wonder the area is a big draw for new residents and for flocks of tourists each summer. Julian has been with the Town for about 9 years and loves living in the community, which is just 38 kilometres northwest of Calgary. Julian says the location makes it the best of all worlds.

MANAGEMENT DISCUSSION AND ANALYSIS

MESSAGE FROM THE CEO

We are pleased to present this Annual Report to all members and employers of the Local Authorities Pension Plan (LAPP). It allows us to provide you with audited financial information, to mention some of the plan's accomplishments in 2004, and to tell you about our plans for 2005.

Financial Results

Please note that, beginning in 2004 with this annual report, the Board of Trustees has decided not to include a "smoothed" value of assets for financial reporting purposes. This means that our assets are reported at their fair value and our liabilities at their present value as calculated by our actuary using our actuarial assumptions. This change is consistent with trends in financial reporting standards.

Global stock markets performed well again in 2004. All asset classes provided positive returns, and LAPP earned an overall rate of return on its investments of 10.4%. As a result, the plan's net assets available for benefits increased to $10.8 billion as at December 31, 2004, up from $9.7 billion in 2003.

Our returns from United States public equities were dampened somewhat by a nearly 8% appreciation in the Canadian dollar. When we earned a profit on a foreign investment, then converted the foreign currency to Canadian dollars, we were left with fewer Canadian dollars than we would have if our dollar had been lower. Our return from the portion of the fund that is invested in U.S. public equities was only 3.3% in Canadian dollar terms. While we also invest in other U.S. equities, including private equity and absolute return strategies, these assets are hedged back into Canadian dollars and hence their returns are not affected by currency fluctuations.

Over the past four years, the plan has earned an annualized compound rate of return of 3.2%, which is below the 6.7% rate required by our actuarial assumptions to meet future liabilities. As a result, the plan on December 31, 2004 had a deficit of about $1.3 billion, or about 10.8%. This is an improvement over our deficit situation as at December 31, 2003. However, in 2004 long-term interest rates continued to fall from their already low level. This will likely require LAPP to lower its discount rate (the rate at which we value our liabilities). In 2004, this rate was 6.7%. A decline of 10 basis points (one-tenth of one per cent) translates to an increase in actuarial deficiencies of approximately $190 million. Therefore, it is likely that when we complete our annual actuarial valuation in 2005, (for December 31, 2004) and the effect of those lower rates is taken into account, our liabilities and our deficit will likely increase.

Despite the general recovery in the markets in 2003 and 2004, concerns about international conflict, a large United States current account deficit, possible rising inflation and interest rates, and misleading accounting continue to dampen investors' enthusiasm and keep substantial investment dollars out of the markets. In the future, we expect growth, but at rates like or below historical market averages.

The combination of low and falling long-term interest rates and modest market returns means that funding our deficit will take time and patience, and a determination to stick with steady and prudent investment policy. As well, it has required LAPP to increase its income from members' and employers' contributions. Effective January 1, 2005, on the advice of the plan actuary, the Board increased rates by an additional one percentage point of total pensionable salary for both employers and employees. Contribution rates are composed of a portion to fund the normal annual increase in pension benefits earned and another portion to amortize the plan's deficit. The following table shows total (employee and employer) contributions to LAPP as a percentage of total pensionable salary:

	2004	2005
Normal Cost	11.4%	11.5%
Deficit Amortization	1.7%	3.6%
Total Contribution Rate	**13.1%**	**15.1%**

As required by LAPP's regulations, the increase is designed to eliminate the current deficit over a maximum 15 year period, according to our assumptions about investment returns and future liabilities. Depending on our actual investment returns, and movements of interest rates in the financial markets, it is unfortunately possible that a further rate increase may be necessary in the future.

The Board recognizes that contribution rate increases cause difficulty for our stakeholders, and calls for increases only when they are necessary to preserve the financial stability of the plan, and to ensure that current members are paying an appropriate amount for the benefits they are earning.

In 2005, LAPP and Alberta Investment Management will be able to use an investment decision-making process called risk budgeting, based on computing systems purchased and brought into operation in 2004. Risk budgeting will allow the Board to more explicitly establish the degree of risk it is prepared to tolerate in investing the fund, and to monitor

and control the degree of risk actually experienced. The Board's intention is to use the most modern and effective methods of controlling investment risk and optimizing investments.

In 2004, to further diversify our investments and to seek high, stable returns, we increased our allocation to private equities, infrastructure, and hedge funds, and increased active management. We also implemented active currency management and reviewed our policy benchmarks to ensure they are appropriate. We will conduct a complete review of our Statement of Investment Policy and Goals in 2005.

Despite the deficit, LAPP's pension promise is secure. It is backed by the plan's assets and by employer and employee contributions. We are confident that, in the long run, our investments will grow at a rate which will see our assets again match our liabilities. Short term fluctuations will sometimes interrupt long-term growth, but growth will return.

Plan Administration

Following going live with its new pension administration system, in 2004 our administrator, Alberta Pensions Administration (APA) Corporation, was engaged in consolidating the process changes and improvements made possible by the new system. Service levels dropped temporarily, but by June 30th had returned to target. Some LAPP employers were unfortunately somewhat inconvenienced by growing pains during this transition, but we believe most of the problems have been resolved. LAPP intends to place greater emphasis on monitoring employer satisfaction with plan administration in the future.

For members, 2005 will see introduction of "mypensionplan", an online service which will allow them to view their personal pension information and calculate pensions in a secure manner over the Internet.

For employers, 2005 will see a continuation of the consultation and review by APA Corporation of the employers' role in administration of LAPP. Implementation of the plans arising from this review is scheduled to take place in 2006. The goal is to clarify responsibilities so as to make plan administration more effective.

Finally, in 2005 the LAPP Board will consider adopting an enterprise-wide risk management framework for identifying, assessing, monitoring and controlling the risks faced by LAPP. While we believe that all risks are currently identified and controlled, adoption of a comprehensive framework will help assure all stakeholders that plan risks are managed prudently.

RON LITEPLO
CHIEF EXECUTIVE OFFICER

Plan Design Issues

Next to financial markets, the most important influence on pension plans is demographics. In Canada, as in most other developed nations, we are facing the imminent retirement of the "baby boomers". Many employees are close to retirement age, and some employers are concerned about whether there will be labor shortages over the next decade or two. In 2005 the plan will examine whether it would be appropriate to build in greater flexibility. Our goal is for LAPP to be responsive to financial and demographic realities and trends in the workplace, as well as the needs of our stakeholders. We will report to you as decisions are made.

In 2005, we will continue our efforts to achieve mutually agreed rules for reciprocal transfers of employees among the Alberta public sector pension plans.

Cost-Effectiveness

We know that in the long run, every dollar saved and invested becomes several dollars that can be used to pay members' pensions. We are always looking for ways to improve our productivity and to save money.

Annually the Board receives reports from an independent Canadian company that measures the effectiveness of investment and administration for pension plans around the world. Those reports show that LAPP continues to enjoy some of the lowest investment and administrative costs of any pension plan of its size in Canada.

Communications

We are committed to making sure our members and employers are well-informed about their pension plan. In 2005 the Board will consider a new three-year communications plan to guide our efforts to increase members' and employers' awareness and understanding of LAPP. Our intention is to look at communications comprehensively, to ensure that all needs are being met without gaps or redundancies. In particular, we intend to improve our communications with our stakeholder employers and unions.

In 2004, despite being out of service for a period while we improved website security, our website still received many visits, showing us that you find it useful. We invite you to visit the site at www.lapp.ab.ca.

We continue to print highlights reports, information updates, and other publications to inform you and answer your questions about the plan. As always, we invite your questions and comments about this report or any other LAPP communication materials.

Conclusions

I wish to thank the Board members, LAPP staff, and staff in the Department of Finance, Alberta Pensions Administration (APA) Corporation, and Alberta Investment Management for their continued support and solid work in 2004. LAPP remains strong and well-managed. We will continue to secure your future, together.

Ronald J. Liteplo
Chief Executive Officer
Local Authorities Pension Plan Corporation

To diversify and capture global investment opportunities LAPP invests in a broad portfolio of world class companies that include the following investments.

Apple Computer is one of the world's leading manufacturers of desktop and laptop computers, servers, and internet tools and network connectivity products. The company is known for its unique operating system and products including iBook, Power Mac and its newest iPod products.

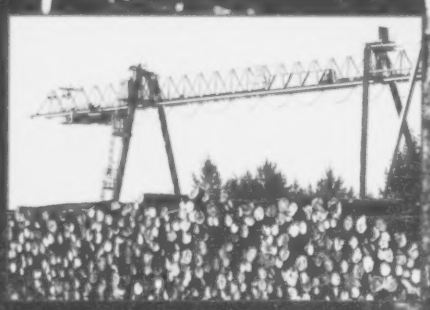
Algoma

Algoma Steel is a fully integrated Canadian steel producer. Its principal product lines are carbon steel sheet and plate products.

Chartwell Technology Inc. is a leading developer and supplier of Internet gaming software systems to the online and mobile gaming industry. Established in 1998, Chartwell is rapidly expanding its current base of branded clients as the online gaming sector continues its prolific growth.

Rogers Wireless is a leading Canadian wireless communications service provider with about 30% of the Canadian market. It operates a national paging service, a wireless data service and a chain of retail service centres with Radio Shack.

Shelley Hughson moved to the centre of Alberta about 3 ½ years ago: its geographical centre to be more precise, which is located within Woodland County roughly 150 kilometres northwest of Edmonton. Now living in Whitecourt, Shelley is Planning/Development Secretary for Woodland County by day and a busy mother of two by night. She loves her new community, which has enough amenities for any lifestyle but without "big city headaches". She also loves the natural beauty of the area, which features rolling hills, thick forest and lakes. In many ways, she notes that Woodland County is a reflection of Alberta as a whole. It has a rich history (for example, part of the Klondike Trail winds through the area) but it still feels "young" and vibrant as it grows with development in the forestry, petroleum and tourism industries.



INVESTMENT REPORT

Investment Management Structure

According to a statute of the Alberta Legislature, the Minister of Finance holds LAPP's assets in trust. Alberta Investment Management, the investment operations group of Alberta Finance, is the general investment manager responsible for day-to-day management of investments. The plan's assets are invested for the plan's beneficiaries in accordance with the Board of Trustees' Statement of Investment Policy and Goals (SIP&G).

2004 in Review

The Canadian equity market recorded its second straight year of gains. In 2004, the Toronto Stock Exchange S&P/TSX Composite Index, which measures the performance of Canada's top companies, reported an increase of 14.5%.

Record crude oil prices resulted in the energy sector outpacing all other sectors in the S&P/TSX Composite Index. The upswing in the Canadian equity market was broad based. With the exception of the healthcare sector, nine of the ten industry sectors in the S&P/TSX Composite Index finished the year with positive returns.

Equity markets in the U.S. also posted their second consecutive year of gains. The S&P 500 Index, which tracks the performance of the largest 500 American companies, increased by 10.9% over the year in U.S. dollars and 3.3% in Canadian dollars. A weakening U.S. dollar had a negative impact, pulling U.S. returns down when translated back into Canadian dollars.

Non-North American markets performed well during 2004. The Morgan Stanley Capital International Index for Europe, Australasia, and the Far East (MSCI EAFE Index), which measures the performance of over 1,000 companies on 21 stock exchanges around the world, increased by 12.7% during the year in local currency and 12.0% in Canadian dollars.

Asset Mix

The Board is responsible for setting the asset mix policy for the plan and uses an asset/liability model to assess long-term risk/return relationships of stocks, bonds, real estate and alternative investments which include private equities, private income securities, and absolute return strategies. The expected returns of these asset classes are regularly reviewed to construct the most appropriate combination of investments to meet the plan's financial objectives.

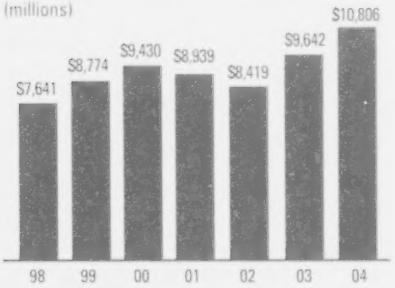
The table below summarizes the Board's target asset mix for 2004 compared to 2003 and the actual asset mix for the years.

ASSET MIX (%)

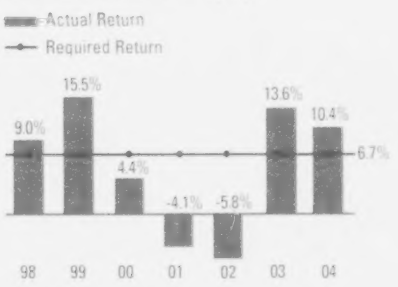
December 31, 2004	Policy Asset Mix		Actual	
	2004	2003	2004	2003
Fixed Income				
Cash & Short-term	2.0	2.0	2.1	2.0
Bonds & Mortgages	18.0	18.0	17.7	17.0
Long-term Bonds	10.0	10.0	9.9	9.2
Real Return Bonds	5.0	5.0	4.8	4.8
Total	**35.0**	**35.0**	**34.5**	**33.0**
Equities				
Canadian	17.5	17.5	22.8	24.3
United States	7.5	7.5	11.6	14.4
Non-North American	17.5	17.5	17.7	18.7
Real Estate	10.0	10.0	7.8	6.4
Alternative Investments	12.5	12.5	5.6	3.2
Total	65.0	65.0	65.5	67.0

MARKET VALUE – INVESTMENTS

(millions)



ANNUAL RETURN (%)



COMPOUND ANNUALIZED RETURN (%)

Ending December 31, 2004

	Years				
	1	2	3	4	8
Actual Return	10.4	12.0	5.7	3.2	6.6
Policy Benchmark	10.7	12.2	5.5	3.0	6.7
Canadian CPI	2.1	2.1	2.7	2.2	2.0

Based in Ireland, Elan Corporation, plc is a leading neuroscience-based biotechnology company that is focused on the discovery, development, manufacturing and marketing of advanced therapies in neurology, autoimmune diseases, and severe pain.

Caltex Australia Limited is Australia's leading oil company involved in the refining, distribution and marketing of fuels and lubricants. Caltex also has a significant presence in the convenience retailing industry.

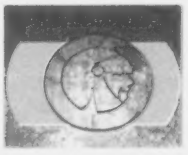
Chinese Estates Holdings Limited is incorporated in Bermuda with securities listed on the Hong Kong Stock Exchange. It is principally engaged in property investment and development, property management and securities investment.

Foster Electric Company has been manufacturing and marketing distinctive sound equipment including a variety of loudspeakers since its foundation in 1949.

Mittal Steel, based in Rotterdam is combining with International Steel Group in the U.S. and will become one of the world's biggest companies with annual sales of about $32 billion and 70 million tons of steel production rivalling the world's largest steel and mining conglomerates.

American Eagle Outfitters is a leading lifestyle retailer that designs, markets, and sells its own brand of casual, fashion-right clothing for the 15 to 25 year-old market. American Eagle Outfitters currently operates over 800 stores in North America.

With six million users, Autodesk is the world's leading software and services company for the building, manufacturing, infrastructure, digital media and wireless data services fields. Autodesk's solutions help customers create, manage, and share their data and digital assets more effectively.



Centurion Energy International Inc. is a gas company headquartered in Calgary with a focus on exploration and production in North Africa.

Investment Results

To evaluate performance and gauge how much additional return our managers generated from their active investment decisions, we compare our actual investment results to our investment policy benchmark. The benchmark return represents what we could reasonably expect to earn if we passively invested in the market indices in proportion to our policy asset mix. Our investment managers strive to add value and earn more than market returns, by over or underweighting specific investments in relation to the indices.

In 2004, the plan earned a total fund return of 10.4%, compared to the investment policy benchmark return of 10.7%. Over four years and eight years our investment managers earned annualized returns of 3.2% and 6.6% respectively compared with the policy benchmarks of 3.0% and 6.7%.

Fixed Income

As at December 31, 2004, the plan had approximately $3.7 billion or 34.5% of its total investments held in fixed income securities such as bonds, mortgages, real return bonds and short-term investments. Fixed income investments are used to provide steady cash flow and adequate liquidity to meet the plan's financial obligations.

FIXED INCOME RETURNS

	Actual Return	Benchmark Return	Value Added *bps**
Short Term			
1 Year	2.7%	2.3%	40*
4 Years	3.3%	3.1%	20*
8 Years	4.1%	3.8%	30*
Bonds & Mortgages			
1 Year	8.0%	7.1%	90*
4 Years	8.4%	7.7%	70*
8 Years	7.7%	7.3%	40*
Long Government Bonds			
1 Year	10.3%	10.2%	10*
4 Years	n/a	n/a	n/a
8 Years	n/a	n/a	n/a
Real Return Bonds			
1 Year	17.6%	17.5%	10*
4 Years	11.3%	11.4%	-10*
8 Years	n/a	n/a	n/a
Total Fixed Income			
1 Year	10.1%	9.6%	50*
4 Years	9.0%	8.5%	50*
8 Years	8.0%	7.7%	30*

** One basis point equals .01%*

We actively manage fixed income assets to generate extra returns over their respective benchmarks. Total fixed income assets earned 10.1% in 2004, outperforming their benchmark by 50 basis points. Over eight years, total fixed income investments have returned 8.0% compared to the benchmark return of 7.7%, an out-performance or value-added of 30 basis points.

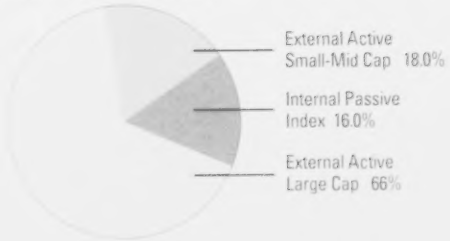
Total Public Equities

Given LAPP's long-term investment horizon, its asset mix policy is structured to capture the historically high rate of return from equities. This asset class represented 52.1% of our asset mix at year-end and consisted of 22.8% Canadian, 11.6% U.S. and 17.7% Non-North American equities. In 2004, our return from total equities including domestic and foreign stocks was 11.3%.

Canadian Public Equities

At December 31, 2004, Canadian equities represented 22.8% of LAPP's total investments or about $2.5 billion. Canadian equities are managed through several strategies including: passive index, active mandates and large and small capitalization ("large cap" and "small cap") companies. Alberta Investment Management internally manages the passive index strategy. External investment managers actively manage the large cap and small cap strategies.

SUMMARY OF CANADIAN EQUITY HOLDINGS



CANADIAN EQUITIES	Actual Return %	Benchmark Return %	Value Added bps
1 Year	15.0	14.5	50
4 Years	3.9	3.5	40
8 Years	7.6	7.9	-30

** One basis point equals .01%*

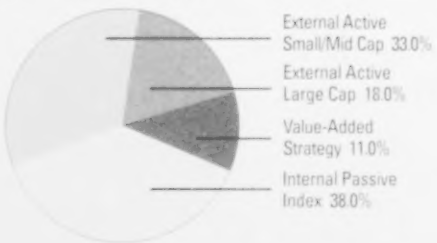
The actual return from Canadian equity investments in 2004 was 15.0%, 50 basis points better than the benchmark return of 14.5% based on the Toronto Stock Exchange (S&P/TSX) Composite Index. Over eight years however, Canadian equities have returned 7.6%, 30 basis points less than the benchmark return of 7.9%.

U.S. Public Equities

At December 31, 2004, U.S. public equities comprised 11.6% of the plan's total investments or about $1.3 billion. Passive index strategies comprised 38% of the U.S. equity portfolio while actively managed large cap and small cap strategies comprised 51%. Value-added strategies comprise 11% of the U.S portfolio, which blends the return from the S&P 500 Index with absolute return strategies to generate higher returns.

The plan's actual return from U.S. equity investments in 2004 was 3.6%, 100 basis points less than the benchmark return of 4.6% measured in Canadian dollars. Over eight years, U.S. equities returned 4.9%, 180 basis points less than the benchmark return of 6.7%. Due to this underperformance we divested our investments with active U.S. large cap managers and switched to U.S. value-added and small/mid cap assets in 2004.

SUMMARY OF UNITED STATES EQUITY HOLDINGS



U.S. EQUITIES	Actual Return %	Benchmark Return %	Value Added bps
1 Year	3.6	4.6	-100
4 Years	-5.0	-5.1	10
8 Years	4.9	6.7	-180

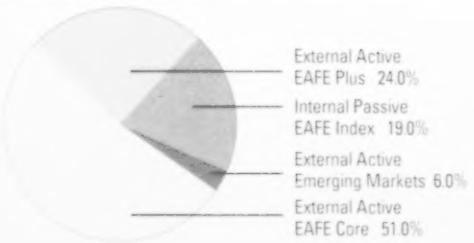
** One basis point equals .01%*

Non-North American Public Equities

To provide geographic and industry sector diversification we invest outside of North America, primarily in Europe, Australasia, and the Far East (EAFE), using both active and passive strategies in developed and emerging foreign stock markets. At December 31, 2004, the plan's Non-North American exposure totaled 17.7% or about $1.9 billion of total investments.

In 2004, the plan's actual return from Non-North American equity investments was 12.2%, 20 basis points better than the benchmark return of 12.0% from the MSCI EAFE Index in Canadian dollars. The actual return over eight years was 5.4%, 220 basis points higher than the benchmark return of 3.2%.

SUMMARY OF NON-NORTH AMERICAN EQUITY HOLDINGS



NON-NORTH AMERICAN EQUITIES	Actual Return %	Benchmark Return %	Value Added bps
1 Year	12.2	12.0	20
4 Years	-2.5	-3.1	60
8 Years	5.4	3.2	220

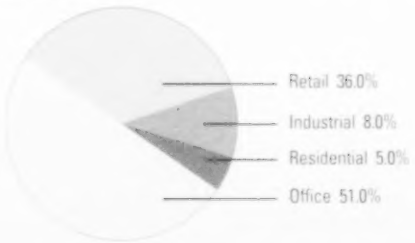
** One basis point equals .01%*

Real Estate

As at December 31, 2004, real estate investments comprised $846 million or 7.8% of total investments. We invest in real estate for both cash flow income and inflation protection purposes. Our real estate portfolio includes a mix of retail, office, residential and industrial properties. The focus is on quality properties featuring strong locations and tenants.

In 2004, real estate returned 10.6%, which was substantially lower than the benchmark. The shortfall is primarily the result of timing differences in valuations of LAPP's real estate assets in the benchmark.

REAL ESTATE



REAL ESTATE	Actual Return %	Benchmark Return %	Value Added bps
1 Year	10.6	13.7	-310
4 Years	8.7	10.0	-130
8 Years	10.3	12.1	-180

** One basis point equals .01%*

Alternative Investments

To further enhance diversification, LAPP has initiated a program to invest in alternative investments including foreign private equity, absolute return strategies, and private income (infrastructure) assets. As at December 31, 2004, LAPP had $605 million or 5.6% of its total investments held in these assets.

In 2004, alternative investments returned 4.8% which was substantially below the benchmark return. This underperformance is primarily due to low hedge fund returns relative to the index, caused by reduced opportunity in the marketplace because of reduced credit spreads and, importantly, reduced volatility.

ALTERNATIVE INVESTMENTS	Actual Return %	Benchmark Return %	Value Added bps
1 Year	4.8	8.5	-370
4 Years	n/a	n/a	n/a
8 Years	n/a	n/a	n/a

** One basis point equals .01%*

Investment Costs

In 2004, investment costs totaled $18.18 million compared to $13.24 million the previous year. Total investments costs consisted of Alberta Finance's costs of $1.86 million to manage the plan investments (2003: $1.75 million) as well as $16.32 million charged for pooled fund management and custodian fees (2003: $11.49 million). The increase in fees between the two years is primarily due to higher systems costs, higher management fees associated with alternative investments and an increase in portfolio assets in 2004.

Looking Forward

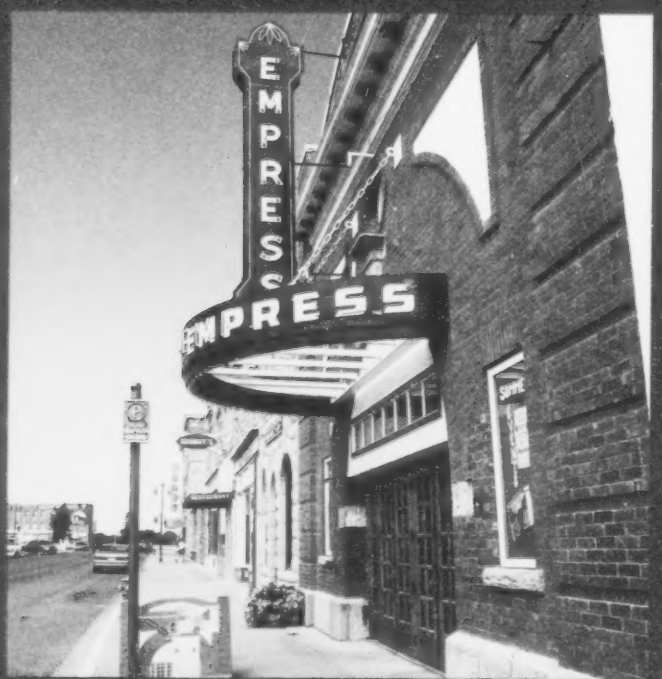
Investment returns over the next year are likely to be modest. Given slightly higher inflation expectations, fixed income market valuations offer little potential for significant capital appreciation: government bond yields are unlikely to decrease materially and credit spreads, currently at historically narrow levels, have little room for further narrowing. Corporations, which have experienced strong growth in profits, may see growth moderate in the coming year due to, amongst other things, slower economic growth, a moderation in productivity growth, and higher interest rates. These factors may also decrease the potential for capital appreciation in equity markets. No asset class presently stands out as being inexpensively valued, implying that capital market returns will likely be, at best, modest over the next six to twelve months.

Risk Management

In 2004 LAPP initiated the development of a risk budgeting framework that establishes formal risk measures and tolerances. The system allows the LAPP Board to select and monitor the amount of risk relative to liabilities the plan is willing to take from its investment activities.

Our investment manager is in the process of implementing a risk management system to model and measure the risks associated with LAPP's investments.The system will provide a comprehensive engine for measuring, monitoring, and managing risk to support future investment decisions.

When you live in the sunniest place in Canada, it's easy to be upbeat about your community. Just ask Gloria Schwindt, Accounts Payable/Receivable Clerk with the Town of Fort MacLeod. Born and raised there, Gloria loves the small town atmosphere and the closeness of the community. Located about 165 kilometres south of Calgary, Fort MacLeod is near the Oldman River and the Rocky Mountains to the west. That gives Gloria, her husband and two teenaged children lots of chances to enjoy outdoor activities like hiking and kayaking. The town is also rich with history - it served as the first western outpost of the North West Mounted Police. Fort MacLeod's historic Main Street features over 30 restored structures, while the town also boasts the Fort Museum and the 1884 NWMP Barracks Site. Little wonder that tourism is a major industry in Fort MacLeod, along with ranching and farming.



ADMINISTRATION REPORT

LAPP is administered by the Alberta Pensions Administration (APA) Corporation. In 2004, APA Corporation provided the following services for LAPP members, retirees, employers and the LAPP Board of Trustees.

LAPP Services

LAPP serves 404 employers and a total of 153,036 members and retirees. In 2004, 9,311 new members joined the plan and 2,126 LAPP members retired.

Communications

In 2004, APA communicated with LAPP members, retirees and employers in the following manner:

- 9,311 Member welcome packages were sent to new members
- 118 Member seminars were held
- 3,688 Members participated in member seminars
- 31 Employer workshops were held
- 711 Employer representatives participated in employer workshops
- 560 Members participated in onsite one-on-one information sessions

Stakeholder Satisfaction

Annually, APA Corporation surveys stakeholders in all plans regarding their satisfaction with Corporation services.

Overall Satisfaction

	2004
Members	85%
Pensioners	95%
Employers	83%

Noteworthy are the responses from members and pensioners of LAPP, where 84% of LAPP members are satisfied with APA Corporation services and 96% of LAPP pensioners are satisfied with APA Corporation services. Please note these plan-specific results have not been the subject of specified auditing procedures.

mypensionplan

In 2004, from July 1 to November 30, the APA Corporation conducted a pilot project for "mypensionplan", the online service which allows members to view their personal pension information and calculate pensions. Overall satisfaction with "mypensionplan" was high and 141 LAPP members participated. The service is scheduled to be available to all members beginning March 2005.

Terry Colosimo, Manager of Public Works for Lakeland County, loves spending time on the water with his wife and two children. Little wonder Terry lives on Beaver Lake, just minutes from the Town of Lac La Biche in North East Alberta, and says he loves the area. Located about 220 kilometres northeast of Edmonton, Lakeland County lives up to its name, with about 90 lakes featuring beautiful white sand beaches and abundant wildlife. While logging, oil and gas, and agriculture are base industries in the area, tourism draws visitors year round to enjoy outdoor activities from water sports, to hunting, fishing, camping, and (in the winter) cross-country skiing and snowmobiling. Originally from Ontario, Terry has lived in Lakeland County for 24 years and says he "loves this life".

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Local Authorities Pension Plan financial statements and financial information in the 2004 Annual Report are the responsibility of the Minister of Finance. These responsibilities are undertaken on behalf of the Minister of Finance by:

- Alberta Investment Management, the investment operation of Alberta Finance, which is responsible only for the management of assets, subject to legislation and to the investment policies and goals approved by the LAPP Board, and
- Alberta Pensions Administration (APA) Corporation, which is responsible for administration of LAPP under an Administrative Services Agreement with the Minister of Finance.

The financial statements and information in the annual report have been approved by the LAPP Board.

The financial statements have been prepared by Alberta Finance in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2004 Annual Report that relates to the operations and financial position of LAPP is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, Alberta Finance, APA Corporation and Alberta Investment Management each maintain a system of internal controls comprising written policies, standards and procedures, and a formal accountability structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, LAPP's external auditor, provides an independent audit of operations, investments, and financial statements.

Brian Manning
Deputy Minister of Finance

Robert Bhatia
Deputy Minister - Revenue, Alberta Finance

David Smith, CA
Chief Executive Officer
Alberta Pensions Administration Corporation

AUDITOR'S REPORT

To the Local Authorities Pension Plan Board of Trustees

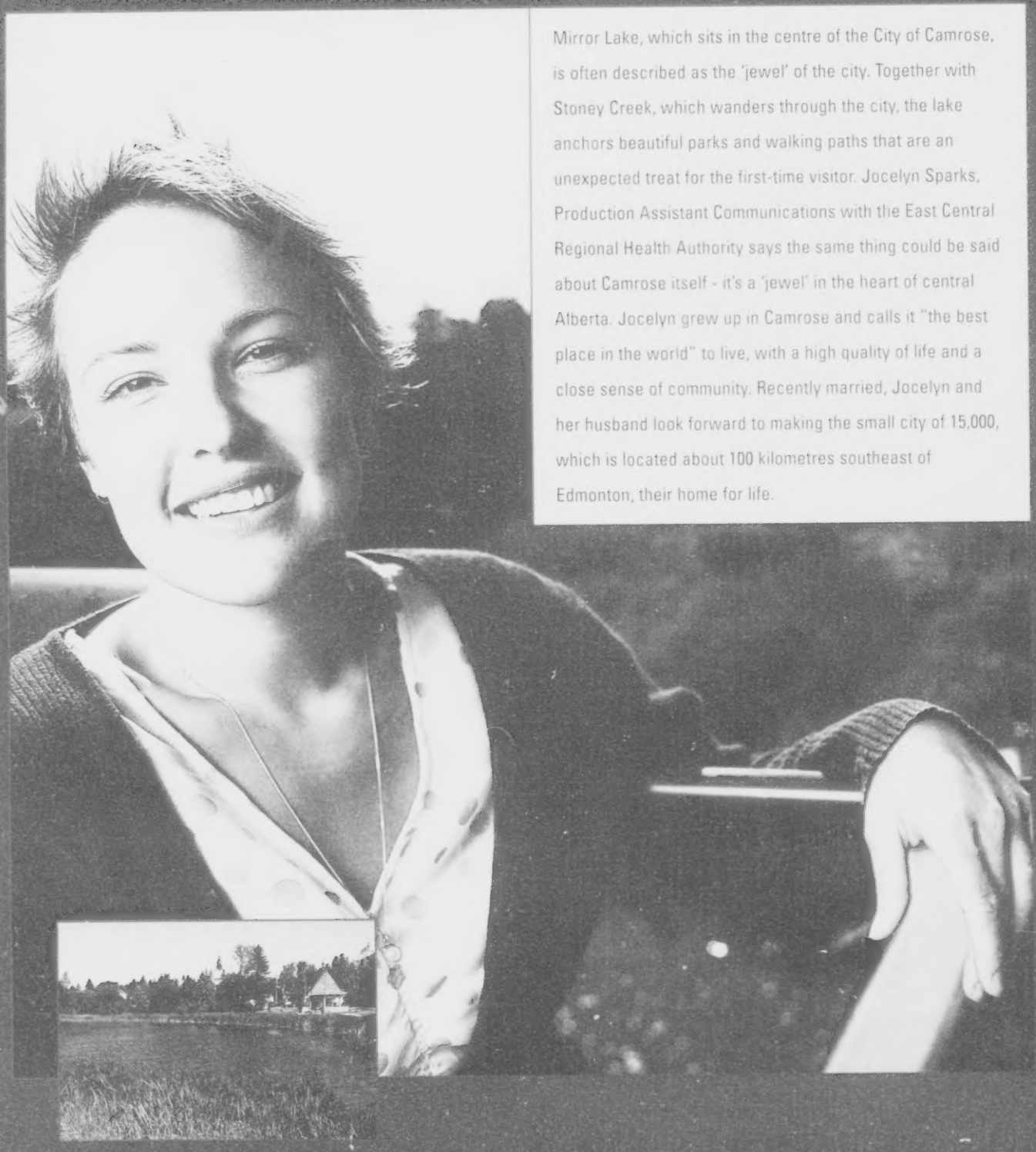
I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Local Authorities Pension Plan (the Plan) as at December 31, 2004 and the Statements of Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the Net Assets Available for Benefits and Accrued Benefits of the Plan as at December 31, 2004 and the Changes in Net Assets Available for Benefits, Changes in Accrued Benefits and Changes in Deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred Dunn
FCA
Auditor General

Edmonton, Alberta
March 7, 2005



Mirror Lake, which sits in the centre of the City of Camrose, is often described as the 'jewel' of the city. Together with Stoney Creek, which wanders through the city, the lake anchors beautiful parks and walking paths that are an unexpected treat for the first-time visitor. Jocelyn Sparks, Production Assistant Communications with the East Central Regional Health Authority says the same thing could be said about Camrose itself - it's a 'jewel' in the heart of central Alberta. Jocelyn grew up in Camrose and calls it "the best place in the world" to live, with a high quality of life and a close sense of community. Recently married, Jocelyn and her husband look forward to making the small city of 15,000, which is located about 100 kilometres southeast of Edmonton, their home for life.

lapp

Local Authorities
PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2004

securing your future, together®

FINANCIAL STATEMENTS

Statement of Net Assets Available for Benefits and Accrued Benefits

As at December 31, 2004

($ thousands)

	2004	2003
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 10,806,190	$ 9,642,129
Contributions receivable (Note 6)	21,280	15,774
Accrued investment income and accounts receivable	3,844	4,136
	10,831,314	9,662,039
Liabilities		
Accounts payable	3,838	6,726
Net assets available for benefits	10,827,476	9,655,313
Accrued Benefits		
Actuarial value of accrued benefits	12,116,400	11,108,800
Deficiency (Notes 11 and 12)	$ (1,288,924)	$ (1,453,487)

See accompanying notes and schedules.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, 2004

($ thousands)

	2004	2003
Increase in assets		
Contributions (Note 7)	$ 602,436	$ 459,338
Net investment income (Note 8)	1,017,321	1,155,698
Net transfer from the Public Service Pension Plan	-	13,935
	1,619,757	1,628,971
Decrease in assets		
Pension benefits	373,218	343,733
Refunds to members	52,686	43,625
Transfers to other plans	4,578	541
Plan expenses (Note 9)	17,112	17,079
	447,594	404,978
Increase in net assets	1,172,163	1,223,993
Net assets available for benefits at beginning of year	9,655,313	8,431,320
Net assets available for benefits at end of year	$ 10,827,476	$ 9,655,313

See accompanying notes and schedules.

Statement of Changes in Accrued Benefits

For the year ended December 31, 2004

($ thousands)

	2004	2003
Increase in accrued benefits		
Interest accrued on benefits	$ 788,900	$ 754,200
Benefits earned	520,800	479,100
Net experience losses and other changes (Note 10 (a))	133,300	96,400
Changes in actuarial assumptions (Note 10 (a))	(9,200)	131,800
Net transfer from the Public Service Pension Plan	-	11,700
	1,433,800	1,473,200
Decrease in accrued benefits		
Benefits paid including interest	426,200	401,300
Net increase in accrued benefits	1,007,600	1,071,900
Accrued benefits at beginning of year	11,108,800	10,036,900
Accrued benefits at end of year (Note 10)	$ 12,116,400	$ 11,108,800

See accompanying notes and schedules

Statement of Changes in Deficiency

For the year ended December 31, 2004

($ thousands)

	2004	2003
Deficiency at beginning of year (Notes 11 and 12)	$ (1,453,487)	$ (1,605,580)
Increase in net assets available for benefits	1,172,163	1,223,993
Net increase in accrued benefits	(1,007,600)	(1,071,900)
Deficiency at end of year (Notes 11 and 12)	$ (1,288,924)	$ (1,453,487)

See accompanying notes and schedules

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

NOTE 1
Summary Description of the Plan

The following description of the Local Authorities Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 366/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, regional health authorities, school divisions, districts, colleges, technical institutes and certain commissions, foundations, agencies, libraries, corporations, associations and societies. The Plan is a registered pension plan as defined in the *Income Tax Act*. The Plan's registration number is 0216556.

(b) Funding Policy

Current service costs and the Plan's actuarial deficiency (see Note 12) are funded by employers and employees at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. The contribution rates for employers are 1.0% more than the rates for employees. The rates in effect at December 31, 2004 were 5.602% (2003 4.525%) of pensionable earnings up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 7.477% (2003 6.40%) of the excess for employees, and 6.602% (2003 5.525%) of pensionable earnings up to the YMPE and 8.477% (2003 7.40%) of the excess for employers.

The rates were reviewed by the Board in 2004 and are to be reviewed at least once every three years based on recommendations of the Plan's actuary. As a result of this review, the rates have increased at January 1, 2005 as follows: 6.40% of pensionable earnings up to the YMPE and 9.14% of the excess for employees, and 7.40% of pensionable earnings up to the YMPE and 10.14% of the excess for employers.

(c) Retirement Benefits

The Plan provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess, subject to the maximum benefit limit allowed under the federal *Income Tax Act*. The maximum service allowable under the Plan is 35 years. Unreduced pensions are payable to members at retirement who have attained age 65, or have attained age 55 and the sum of their age and years of service equals 85. Reduced pensions are payable to members at age 55 or older retiring early with a minimum of two years of service.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least two years of membership. Reduced pensions are payable to members who become partially disabled and retire early with at least two years of membership.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least two years of service, a surviving pension partner may choose to receive a survivor pension. For a beneficiary other than a pension partner, or where service is less than two years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with at least two years of membership and who are not immediately entitled to a pension may transfer out the commuted value for all earned service, contributions paid in respect of optional service with interest, plus excess contributions if applicable, which are subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with fewer than two years of membership receive a refund of their contributions and interest.

(g) Optional Service and Reciprocal Transfers

All optional service purchases are to be cost-neutral to the Plan.

Transferred-in service will be on an actuarial reserve basis and transfers out will receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year. This calculation method has been set out in the Plan regulations since 1993.

NOTE 2
Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Finance or external managers appointed by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

Note 2 - Summary of Significant Accounting Policies and Reporting Practices - (b) Valuation of Assets and Liabilities (continued)

The fair value of alternative investments including absolute return strategy investments, investments in private investment funds, private equities and securities with limited marketability is estimated by Alberta Finance or external managers appointed by Alberta Finance using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate and may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

Cross-currency interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields and year-end exchange rates.

Income and expense from derivative contracts are accrued as earned and included in net investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(f) Measurement Uncertainty

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the calculation of the Plan's actuarial value of accrued benefits and in the valuation of the Plan's alternative investments. Uncertainty arises because the Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits and the estimated fair values of the Plan's alternative investments may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the calculation of the Plan's accrued benefits and in the valuation of the Plan's alternative investments, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements. Differences between actual results and expectations are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in accrued benefits in the year when actual results are known. Differences between the estimated fair values and the amount ultimately realized are included in net investment income in the year when the ultimate realizable values are known.

NOTE 3

Investments (Schedules A to E)

	2004 Fair Value ($ thousands)	%	2003 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 201,544	1.9	$ 192,643	2.0
Canadian Dollar Public Bond Pool (b)	1,635,308	15.1	1,380,104	14.3
Canadian Long Term Government Bond Pool (b)	1,074,793	9.9	885,240	9.2
Real rate of return bonds (c)	514,088	4.8	466,570	4.8
Private Mortgage Pool (d)	279,928	2.6	259,381	2.7
External Managers Currency Alpha Pool (e)	18,684	0.2	-	-
Total fixed income securities	3,724,345	34.5	3,183,938	33.0
Canadian Equities (Schedule B)				
External Managers				
Canadian Large Cap Equity Pool (f)	1,609,711	14.9	1,489,361	15.5
Canadian Small Cap Equity Pool (f)	452,090	4.2	339,307	3.5
Domestic Passive Equity Pooled Fund (g)	391,829	3.6	361,090	3.7
Private Equity Pool (h)	11,007	0.1	13,627	0.1
Canadian Pooled Equities Fund	-	-	147,157	1.5
	2,464,637	22.8	2,350,542	24.3
United States Equities (Schedule C)				
External Managers				
US Small/Mid Cap Equity Pool (i)	407,249	3.8	282,011	2.9
US Large Cap Equity Pool (i)	230,739	2.1	592,647	6.2
US Passive Equity Pooled Fund (j)	476,606	4.4	514,494	5.3
Portable Alpha US Pool (k)	138,530	1.3	-	-
	1,253,124	11.6	1,389,152	14.4
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (l)	985,686	9.1	1,009,390	10.5
EAFE Plus Equity Pool (l)	459,132	4.3	435,483	4.5
EAFE Emerging Markets (m)	112,398	1.0	-	-
EAFE Passive Equity Pool	-	-	12,087	0.1
EAFE Structured Equity Pooled Fund (n)	356,311	3.3	345,684	3.6
	1,913,527	17.7	1,802,644	18.7
Alternative Investments - Equities				
External Managers				
Absolute Return Strategy Pool (o)	480,348	4.5	275,909	2.9
Private Income Pool (p)	87,870	0.8	5,646	0.1
Foreign Private Equity Pool (p)	36,610	0.3	22,241	0.2
	604,828	5.6	303,796	3.2
Total equities	6,236,116	57.7	5,846,134	60.6
Real Estate (Schedule E)				
Private Real Estate Pool (q)	845,729	7.8	612,057	6.4
Total investments	**$10,806,190**	**100.0**	**$ 9,642,129**	**100.0**

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Public Bond Pool (CDPB) and the Canadian Long Term Government Bond Pool (CLGB) are managed with the objectives of providing competitive returns comparable to the total returns of the Scotia Capital Universe Bond Index and the Scotia Capital Long Term All Government Bond Index respectively over a four-year period while maintaining adequate security and liquidity of participants' capital. The CDPB portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives while the CLGB portfolio invests only in high quality fixed income instruments of the federal, provincial and municipal governments of Canada. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. To limit investment risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(e) The External Managers Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment style and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts.

Note 3 - Investments (Schedules A to E) (continued)

Participants deposit into the Pool a modest amount of cash to minimize rebalancing of cash flows in or out of the Pool when the forward foreign exchange contracts settle.

(f) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to invest in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(g) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(h) The Private Equity Pool is in the process of orderly liquidation.

(i) The External Managers US Small/Mid Cap Equity Pool consists of a single portfolio and the External Managers US Large Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US small/mid cap or large cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index for the US Small/Mid Cap Pool and the Standard & Poor's S&P 500 Index for the US Large Cap Pool over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.

(j) The US Passive Equity Pooled Fund consists of a single portfolio of publicly traded United States equities similar in weights to the S&P 500 Index. The Pooled Fund is managed internally. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. To enhance investment returns with no substantial increase in risks, the Pooled Fund also invests in futures, swaps and other structured investments.

(k) The Portable Alpha US Pool provides exposure to the United States equity market by replicating the S&P 500 Index with S&P 500 index swaps and futures contracts. Externally managed absolute return strategy investments and money market instruments are actively used as underlying securities to add value to the exposure. The performance objective is to provide returns higher than the S&P 500 Index over the long term.

(l) The External Managers EAFE (Europe, Australasia and Far East) Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each Core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) EAFE Index asset mix by country. The Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period while reducing return volatility through multiple manager investment style and market diversification.

(m) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolio is actively managed by an external manager with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Emerging Markets Free (MSCI EMF) Index over a four-year period.

(n) The EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(o) The External Managers Absolute Return Strategy Pool is managed by external managers with the objective of providing investment returns comparable to the Consumer Price Index plus 6%. The pool is intended to yield absolute positive investment returns with low volatility using various investment strategies.

(p) The Foreign Private Equity Pool (FPEP) and the Private Income Pool (PIP) are managed with the objectives of providing investment returns comparable to the Consumer Price Index plus 8% and the Consumer Price Index plus 6% respectively. The FPEP invests in institutionally sponsored international private equity pools managed by experienced advisors with proven records. The PIP invests in infrastructure related projects that are structured to yield high current income. Risk is reduced by avoiding direct investments in private companies and by limiting holdings in any single pool.

(q) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

NOTE 4

Investment Risk Management

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates.

Note 4 - Investment Risk Management (continued)
Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. The expected rate of return on investments, together with the expected long term inflation rate, form the basis for determining the economic assumptions used in calculating the actuarial liabilities. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a benchmark policy asset mix of 35% fixed income instruments, 55% equities and 10% real estate. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to enhance returns and manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5
Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes.

The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2004:

	2004					2003	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
	%			($ thousands)			
Equity index swap contracts	70	30	-	$ 1,169,391	$ 46,180	$ 1,084,225	$ 44,356
Forward foreign exchange contracts	100	-	-	1,002,233	22,595	347,322	10,347
Interest rate swap contracts	41	54	5	438,515	(16,936)	500,737	(24,618)
Cross-currency interest rate swap contracts	25	29	46	411,079	(19,260)	370,966	(37,345)
Credit default swap contracts	20	22	58	113,565	412	19,781	(242)
Equity index futures contracts	100	-	-	37,723	3,450	14,321	1,744
Bond index swap contracts	100	-	-	31,880	619	22,227	32
				$ 3,204,386	$ 37,060	$ 2,359,579	$ (5,726)

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

NOTE 6
Contributions Receivable

	2004	2003
	($ thousands)	
Employers	$ 11,399	$ 8,493
Employees	9,881	7,281
	$ 21,280	$ 15,774

NOTE 7
Contributions

	2004	2003
	($ thousands)	
Current and optional service		
Employers	$ 316,894	$ 245,759
Employees (a)	279,614	212,771
Transfers from other plans	5,928	808
	$ 602,436	$ 459,338

(a) Includes $12,135,000 (2003 $9,205,000) of optional service contributions.

NOTE 8
Net Investment Income

Net investment income is comprised of the following:

	2004	2003
	($ thousands)	
Net realized and unrealized gains on investments, including those arising from derivative transactions	$ 681,553	$ 855,074
Interest income	222,593	192,952
Dividend income	87,923	84,258
Real estate income	38,958	32,395
Securities lending income	2,616	2,510
Pooled funds management and associated custodial fees (Note 9)	(16,322)	(11,491)
	$ 1,017,321	**$ 1,155,698**

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2004	2003
	($ thousands)	
Fixed Income Securities	$ 334,794	$ 236,997
Canadian Equities	328,429	486,980
Foreign Equities		
United States	51,023	128,401
Non-North American	209,153	242,093
Alternative Investments - Equities	22,071	6,902
Real Estate	71,851	54,325
	$ 1,017,321	**$ 1,155,698**

The following is a summary of the investment performance results attained by the Plan:

	One Year Return	Four-Year Compound Annualized Return	Eight-Year Compound Annualized Return
Time-weighted rates of return*			
Overall Plan	10.4%	3.2%	6.6%
Policy Benchmark**	10.7%	3.0%	6.7%

* The measure involves the calculation of the net return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains and losses (realized and unrealized).

** The policy benchmark return is a product of the weighted average policy sector weights and sector returns.

NOTE 9
Plan Expenses

	2004	2003
	($ thousands)	
General administration costs	$14,022	$ 11,356
Investment management costs	1,857	1,752
LAPP Corporation costs	600	501
Actuarial fees	356	208
Process improvements costs	277	337
Mosaic (APEX) project costs	-	2,925
	$17,112	**$ 17,079**

General administration costs and process improvement costs, including Plan Board costs (see Note 13) were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Finance on a cost recovery basis to manage the Plan's investment portfolio. Pooled funds management and associated custodial fees totalling $16,322,000 (2003 $11,491,000) (see Note 8), which have been included in calculating net investment income, are excluded from plan expenses.

LAPP Corporation costs include remuneration to senior officials of Local Authorities Pension Plan Corporation as follows:

	2004	2003
	($ thousands)	
Chief Executive Officer		
Salary and bonus	$ 187.0	$ 185.0
Benefits	17.7	8.1
Director, Pension Policy		
Salary and bonus	$ 125.5	$ 111.2
Benefits	9.3	7.3
	$ 339.5	**$ 311.6**

Total Plan expenses, including pooled funds management and associated custodial fees amounted to $222 per member (2003 $197 per member).

Pooled funds management and associated custodial fees amounted to $109 per member (2003 $79 per member). These expenses, which have been deducted in arriving at net investment income of the pools, are included in the determination of investment returns for the Plan (see Note 8).

Total plan expenses including pooled funds management and associated custodial fees amounted to 0.31% (2003: 0.30%) of assets under administration.

NOTE 10

Accrued Benefits

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2003 by Mercer Human Resource Consulting and was then extrapolated to December 31, 2004. The 2003 valuation was completed after the financial statements of the Plan for 2003 were released. As a result, the differences between the actuarial valuation results and extrapolation results for 2003 are accounted for as change in actuarial assumptions, net experience losses and other changes in 2004.

The following is a summary of net experience losses and other changes as revealed in the 2003 valuation and reported in 2004:

	($ thousands)
Higher than expected cost-of-living increase in pension benefit payments	$67,400
Retirement experience was less favourable than assumed	40,300
Termination and mortality experiences were less favourable than assumed	15,000
Other	10,600
Total	**$133,300**

Actuarial valuations were determined using the projected benefit method pro-rated on service. The assumptions used in the actuarial valuations and extrapolations were developed as the best estimates of expected market conditions and other future events. These estimates were, after consultation with the Plan's actuary, approved by the Board of Trustees.

The major assumptions used were:

	2003 Valuation & 2004 Extrapolation	2002 Valuation & 2003 Extrapolation
	%	%
Investment rate of return	6.70	7.00
Inflation rate	2.75	3.25
Salary escalation rate*	3.50	4.00

* In addition to merit and promotion

The Board of Trustees has authorized a policy to have an actuarial valuation of the Plan carried out every year. As a result, an actuarial valuation of the Plan as at December 31, 2004 will be carried out subsequent to the completion of these financial statements. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2005.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2004:

	Sensitivities		
	Changes in Assumptions %	Increase in Actuarial Deficiency ($ million)	Increase in Current Service Cost as a % of Pensionable Earnings*
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 808	0.6%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	508	0.7%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	1,915	2.3%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2003 valuation was 11.5%.

NOTE 11

Funding Valuation and Extrapolation

The Plan's deficiency is determined on the fair value basis for accounting purposes. For funding valuation and extrapolation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset value for funding valuation and extrapolation purposes amounted to $10,384 million at December 31, 2004 ($9,698 million).

In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiency of $1,535 million as determined by an actuarial funding valuation as at December 31, 2003 is funded by a special payment of 3.60% of pensionable earnings shared equally between employers and employees. The special payment is included in the rates in effect at January 1, 2005 (see Note 1(b)).

NOTE 12

Change in Accounting Policy

In order to eliminate any misunderstanding about the actual financial position of the Plan, in 2004, the Board of Trustees introduced a change in accounting policy and assets are now valued on the fair value basis for accounting purposes with no smoothed value reported.

As at December 31, 2004, this change in accounting policy has the effect of decreasing the Plan's deficiency by $444 million. If the change had not been made, the Plan's deficiency would have been $1,733 million as at December 31, 2004.

This change in accounting policy has been applied retroactively and the Plan's deficiencies at December 31, 2002 and 2003 have been restated. The effect of this change in accounting policy is to increase retroactively the Plan's deficiency by $1,161 million at December 31, 2002 and by $43 million at December 31, 2003.

NOTE 13

Remuneration of Board Members

Remuneration paid with respect to a total of 14 board members during the year amounted to $116,000 ($92,000).

NOTE 14

Comparative Figures

Comparative figures have been restated to be consistent with 2004 presentation.

SCHEDULE A

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

December 31, 2004
($ thousands)

	Plan's Share	
	2004	2003
Deposits and short-term securities	$ 232,295	$ 201,514
Fixed income securities (a)		
Public		
Government of Canada, direct and guaranteed	1,381,985	1,263,082
Provincial		
Alberta, direct and guaranteed	1,033	1,055
Other, direct and guaranteed	1,010,546	640,775
Municipal	29,843	29,306
Corporate	637,474	645,709
Private		
Corporate	414,938	394,483
	3,475,819	2,974,410
Receivable from sale of investments and accrued investment income	29,574	24,911
Liabilities for investment purchases	(13,343)	(16,897)
	16,231	8,014
	$ 3,724,345	$ 3,183,938

(a) Fixed income securities held as at December 31, 2004 had an average effective market yield of 4.25% per annum (2003 4.63% per annum). The following term structure of these securities as at December 31, 2004 was based on principal amount.

	2004	2003
	%	%
Under 1 year	2	2
1 to 5 years	21	22
6 to 10 years	22	22
11 to 20 years	18	16
Over 20 years	37	38
	100	100

SCHEDULE B

SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES

December 31, 2004
($ thousands)

	Plan's Share	
	2004	2003
Deposits and short-term securities	$ 34,374	$ 33,896
Public equities (a) (b)		
Consumer discretionary	223,567	202,250
Consumer staples	128,185	118,911
Energy	417,652	334,054
Financials	678,629	647,592
Health care	52,827	65,005
Industrials	237,971	276,782
Information technology	133,202	127,169
Materials	430,899	381,501
Telecommunication services	88,586	102,431
Utilities	6,970	31,345
	2,398,488	2,287,040
Passive index	7,228	3,839
	2,405,716	2,290,879
Private Equity Pool	11,007	13,627
Receivable from sale of investments and accrued investment income	15,872	15,850
Liabilities for investment purchases	(2,332)	(3,710)
	13,540	12,140
	$ 2,464,637	$ 2,350,542

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $277,244,000 (2003 $235,967,000), which were used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.

SCHEDULE C

SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES

December 31, 2004
($ thousands)

	Plan's Share	
	2004	2003
Deposits and short-term securities	$ 30,359	$ 44,347
Public equities (a) (b)		
Consumer discretionary	179,336	234,270
Consumer staples	85,158	114,784
Energy	90,232	75,801
Financials	239,576	273,087
Health care	151,608	163,809
Industrials	167,265	155,722
Information technology	179,623	218,833
Materials	62,611	48,436
Telecommunication services	28,497	34,315
Utilities	37,167	35,736
	1,221,073	1,354,793
Passive index	-	764
	1,221,073	1,355,557
Receivable from sale of investments and accrued investment income	9,049	6,840
Liabilities for investment purchases	(7,357)	(17,592)
	1,692	(10,752)
	$ 1,253,124	$ 1,389,152

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $475,532,000 (2003 $490,427,000) and absolute return strategy investments totalling $117,953,000 (2003 $nil), which were used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

SCHEDULE D

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $336,385,000 (2003 $331,992,000), which were used as underlying securities to support the notional amount of Non-North American equity index swaps contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by Standard & Poor's. The following is a summary of the Plan's investment in Non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased:

SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES

December 31, 2004
($ thousands)

	Plan's Share	
	2004	2003
Deposits and short-term securities	$ 34,181	$ 32,381
Public equities (a) (b)		
Consumer discretionary	258,357	267,333
Consumer staples	107,470	138,660
Energy	157,060	129,437
Financials	506,732	428,029
Health care	112,212	139,105
Industrials	202,971	190,706
Information technology	90,080	104,753
Materials	148,348	133,526
Telecommunication services	159,029	158,615
Utilities	73,966	68,141
	1,816,225	1,758,305
Passive index	47,258	252
Receivable from sale of investments and accrued investment income	23,612	18,627
Liabilities for investment purchases	(7,749)	(6,921)
	15,863	11,706
	$ 1,913,527	$ 1,802,644

	Plan's Share	
	2004	2003
	($ thousands)	
United Kingdom	$ 408,058	$ 412,472
Japan	325,625	295,577
France	164,684	177,169
Germany	125,963	127,576
Switzerland	122,351	141,525
Netherlands	100,078	100,130
Australia	84,915	92,495
Italy	75,271	77,290
Sweden	47,139	34,359
Spain	46,576	48,281
Other	315,565	251,431
	$ 1,816,225	$ 1,758,305

SCHEDULE E

SCHEDULE OF INVESTMENTS IN REAL ESTATE

December 31, 2004
($ thousands)

	Plan's Share	
	2004	2003
Deposits and short-term securities	$ 89	$ 497
Real estate (a)		
Office	422,704	271,419
Retail	303,552	256,942
Industrial	66,677	41,491
Residential	40,969	35,926
	833,902	605,778
Passive index	10,537	4,224
Receivable from sale of investments and accrued investment income	1,201	1,558
	$ 845,729	$ 612,057

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2004	2003
	($ thousands)	
Ontario	$ 540,590	$ 442,734
Alberta	184,873	150,624
Quebec	93,923	-
British Columbia	14,516	12,420
	$ 833,902	$ 605,778

lapp

Local Authorities
PENSION PLAN

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